

**PARIS INDEPENDENT
BOARD OF EDUCATION**

**Basic Financial Statements,
Supplementary Information,
and Independent Auditor's Reports**

Year Ended June 30, 2018

PARIS INDEPENDENT BOARD OF EDUCATION

**Basic Financial Statements,
Supplementary Information,
and Independent Auditor's Reports**

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HENDERMAN, JESSEE & COMPANY, PLLC
Certified Public Accountants

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Paris Independent Board of Education
Paris, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Paris Independent Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paris Independent Board of Education as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB schedules on pages 4-9 and 55-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The combining nonmajor fund financial statements, and the financial statements of the activity funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the financial statements of the activity funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the financial statements of the

activity funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hendersonman Jesse & Company LLC". The signature is written in a cursive, flowing style.

Louisville, Kentucky
November 13, 2018

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

This section of the Paris Independent School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. This reporting model uses both government-wide financial and fund financial statements. Please read it in conjunction with the additional information found within the body of the audit.

Financial Highlights

- Paris Independent Schools continues to thrive as Summit Learning District in 2018.
- Paris Middle School and High School, will begin a new roof project to replace a roof that is more than 20 years old
- In the past three years, the Paris contingency fund has gone from approximately 2% to 6%.
- Paris High School has launched a Youth Apprentice Program in partnership with local business and industry.
- Paris Elementary School has grown in population to the point that an additional section of kindergarten and pre-school were added.
- Paris School District received the Kentucky Striving Readers Grant that amounts to over \$400,000.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Paris Independent Board of Education - Paris, Kentucky
Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2018

Overview of Financial Statements, continued

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10-12 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13-23 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-54 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of the governmental financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,810,724 for Governmental Activities and \$245,269 for Business-Type Activities as of June 30, 2018. This deficiency in net position is largely due to the inclusion of the pension and OPEB liabilities in the statements.

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2018

Government-wide Financial Analysis, continued

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the period ending June 30, 2018 as compared to June 30, 2017:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current and other assets	\$ 556,239	\$ 1,307,452	\$ 55,677	\$ 80,902	\$ 611,916	\$ 1,388,354
Capital assets	10,468,147	10,118,669	18,523	22,108	10,486,670	10,140,777
Deferred outflows of resources	<u>952,036</u>	<u>709,800</u>	<u>144,933</u>	<u>108,852</u>	<u>1,096,969</u>	<u>818,652</u>
Total assets and deferred outflows	<u>11,976,422</u>	<u>12,135,921</u>	<u>219,133</u>	<u>211,862</u>	<u>12,195,555</u>	<u>12,347,783</u>
Long-term debt outstanding	10,654,833	11,155,620	--	--	10,654,833	11,155,620
Net pension and OPEB liability	3,992,543	2,166,204	397,821	386,449	4,390,364	2,552,653
Other liabilities	735,897	687,066	290	283	736,187	687,349
Deferred inflows of resources	<u>403,873</u>	<u>--</u>	<u>66,291</u>	<u>--</u>	<u>470,164</u>	<u>--</u>
Total liabilities	<u>15,787,146</u>	<u>14,008,890</u>	<u>464,402</u>	<u>386,732</u>	<u>16,251,548</u>	<u>14,395,622</u>
Net position (deficit)						
Net investment in capital assets	(617,665)	(1,437,383)	18,523	22,108	(599,142)	(1,415,275)
Restricted	234,789	1,014,717	5,921	10,974	240,710	1,025,691
Unrestricted	<u>(3,427,848)</u>	<u>(1,450,303)</u>	<u>(269,713)</u>	<u>(207,952)</u>	<u>(3,697,561)</u>	<u>(1,658,255)</u>
Total net position (deficit)	<u><u>\$ (3,810,724)</u></u>	<u><u>\$ (1,872,969)</u></u>	<u><u>\$ (245,269)</u></u>	<u><u>\$ (174,870)</u></u>	<u><u>\$ (4,055,993)</u></u>	<u><u>\$ (2,047,839)</u></u>

Comments on Budget Comparisons

1) Excluding on-behalf payments of \$1,814,400, the General Fund budget compared to actual revenue varied slightly from line item to line item with an ending actual balance being \$26,524 or 0.53% more than budgeted.

2) Actual General Fund expenditures, net of on-behalf payments of \$1,814,400 compared to budget expenditures, net of contingency allotments, was \$244,288 or 5.00% more than budget.

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2018

The following table presents a comparative summary of revenue and expenses for the fiscal year ended June 30, 2018 and 2017, for selected funds:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 2,480	\$ 1,500	\$ 29,727	\$ 36,580	\$ 32,207	\$ 38,080
Operating grants and contributions	743,868	696,800	484,166	455,943	1,228,034	1,152,743
Capital grants and contributions	177,732	177,651	--	--	177,732	177,651
General revenues:						
Property taxes	1,754,547	1,703,480	--	--	1,754,547	1,703,480
Other taxes	442,152	415,649	--	--	442,152	415,649
Investment earnings	13,273	43,352	--	--	13,273	43,352
State and formula grants	3,204,736	3,126,025	4,144	4,115	3,208,880	3,130,140
State on-behalf payments	2,307,949	1,646,641	35,292	31,019	2,343,241	1,677,660
Miscellaneous	159,603	706,287	--	--	159,603	706,287
Total revenues	<u>\$ 8,806,340</u>	<u>\$ 8,517,385</u>	<u>\$ 553,329</u>	<u>\$ 527,657</u>	<u>\$ 9,359,669</u>	<u>\$ 9,045,042</u>
Summary of Expenses						
Expenses:						
Instruction	\$ 5,374,643	\$ 5,448,028	\$ --	\$ --	\$ 5,374,643	\$ 5,448,028
Support services:						
Student	346,092	331,844	--	--	346,092	331,844
Instruction staff	298,984	329,759	--	--	298,984	329,759
District administrative	514,322	510,805	--	--	514,322	510,805
School administrative	607,412	606,150	--	--	607,412	606,150
Business	418,251	406,155	--	--	418,251	406,155
Plant operation and maintenance	833,549	836,207	--	--	833,549	836,207
Student transportation	281,144	304,231	--	--	281,144	304,231
Facilities acquisition and construction	--	1,187,902	--	--	--	1,187,902
Community service activities	91,105	88,252	--	--	91,105	88,252
Interest on long-term debt	319,229	294,778	--	--	319,229	294,778
Food service operation	--	--	623,728	558,868	623,728	558,868
Total expenses	<u>\$ 9,084,731</u>	<u>\$ 10,344,111</u>	<u>\$ 623,728</u>	<u>\$ 558,868</u>	<u>\$ 9,708,459</u>	<u>\$ 10,902,979</u>
Increase (decrease) in net position	(278,391)	(1,826,726)	(70,399)	(31,211)	(348,790)	(1,857,937)
Net position (deficit) - beginning, as restated	<u>(3,532,333)</u>	<u>(46,243)</u>	<u>(174,870)</u>	<u>(143,659)</u>	<u>(3,707,203)</u>	<u>(189,902)</u>
Net position (deficit) - ending	<u>\$ (3,810,724)</u>	<u>\$ (1,872,969)</u>	<u>\$ (245,269)</u>	<u>\$ (174,870)</u>	<u>\$ (4,055,993)</u>	<u>\$ (2,047,839)</u>

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

For the Year Ended June 30, 2018

Budgetary Implications

In Kentucky the fiscal year for public schools is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$429,320 in contingency overall.

The Paris Independent Board of Education believes that successful student achievement is the most important task of the school district. They are committed to making sound fiscal decisions to achieve the best educational opportunities for all students.

Capital Assets (Net of Depreciation)

As of June 30, 2018, the District had invested \$10,486,670 in capital assets as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of \$345,893. Additional detailed information on Capital Assets is available in the Notes to the Financial Statements.

	Governmental Activities		Business-Type Activities		Total	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Land	\$ 351,553	\$ 351,553	\$ --	\$ --	\$ 351,553	\$ 351,553
Buildings and improvements	9,704,909	9,309,890	--	--	9,704,909	9,309,890
Technology equipment	217,014	217,239	--	--	217,014	217,239
Vehicles	105,855	140,281	--	--	105,855	140,281
General equipment	88,816	99,706	--	--	88,816	99,706
Construction in progress	--	--	--	--	--	--
Food service and equipment	--	--	18,523	22,108	18,523	22,108
	<u>\$ 10,468,147</u>	<u>\$ 10,118,669</u>	<u>\$ 18,523</u>	<u>\$ 22,108</u>	<u>\$ 10,486,670</u>	<u>\$ 10,140,777</u>

Paris Independent Board of Education - Paris, Kentucky

Management's Discussion and Analysis (MD&A), continued

Year Ended June 30, 2018

Debt Administration

At June 30, 2018, the District had \$10,964,300 in bonds outstanding. Of this amount, \$6,751,520 is to be paid from the KSFCC funding provided by the State. A total of \$434,910 is due within one year.

At June 30, 2017, the District had \$11,398,777 in bonds outstanding. Of this amount, \$7,067,206 is to be paid from the KSFCC funding provided by the State. A total of \$424,210 is due within one year.

Principal payments were made in the amount of \$434,477, representing the net decrease in balance from 2017 to 2018.

Governmental Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	<u>\$ 11,398,777</u>	<u>\$ - -</u>	<u>\$ 434,477</u>	<u>\$ 10,964,300</u>	<u>\$ 434,910</u>

Government-wide Financial Statements

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 357,030	\$ 49,756	\$ 406,786
Inventory	--	5,921	5,921
Accounts receivable	199,209	--	199,209
Capital assets	20,223,407	98,839	20,322,246
Less: accumulated depreciation	<u>(9,755,260)</u>	<u>(80,316)</u>	<u>(9,835,576)</u>
Total assets	<u>11,024,386</u>	<u>74,200</u>	<u>11,098,586</u>
Deferred outflows of resources			
Pension and OPEB contributions - current year	267,984	33,426	301,410
Difference between expected and actual experience	2,751	510	3,261
Net difference between projected and actual investment earnings on pension plan investments	181,300	26,942	208,242
Change of assumptions	412,932	72,257	485,189
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>87,069</u>	<u>11,798</u>	<u>98,867</u>
Total deferred outflows of resources	<u>952,036</u>	<u>144,933</u>	<u>1,096,969</u>
Liabilities			
Accounts payable	63,482	290	63,772
Unavailable revenue	36,747	--	36,747
Accumulated sick leave payable	36,584	--	36,584
Long-term liabilities:			
Due within one year:			
Debt obligations	490,520	--	490,520
Due in more than one year:			
Debt obligations	10,654,833	--	10,654,833
Accumulated sick leave payable	108,564	--	108,564
Net pension liability	2,231,543	397,821	2,629,364
Net OPEB liability	<u>1,761,000</u>	<u>--</u>	<u>1,761,000</u>
Total liabilities	<u>15,383,273</u>	<u>398,111</u>	<u>15,781,384</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Net Position, continued

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Difference between expected and actual experience	\$ 56,850	\$ 9,895	\$ 66,745
Net difference between projected and actual investment earnings on pension and OPEB plan investments	172,670	26,050	198,720
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>174,353</u>	<u>30,346</u>	<u>204,699</u>
Total deferred inflows of resources	<u>403,873</u>	<u>66,291</u>	<u>470,164</u>
Net Position (Deficit)			
Net investment in capital assets	(617,665)	18,523	(599,142)
Restricted for:			
Other purposes: (nonexpendable)	234,789	5,921	240,710
Unrestricted	<u>(3,427,848)</u>	<u>(269,713)</u>	<u>(3,697,561)</u>
Total net position (deficit)	<u>\$ (3,810,724)</u>	<u>\$ (245,269)</u>	<u>\$ (4,055,993)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Activities

For the Year June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	
Governmental activities:							
Instruction	\$ 5,374,643	\$ 2,480	\$ 601,296	\$ --	\$ (4,770,867)	\$ --	\$ (4,770,867)
Support services:							
Student	346,092	--	--	--	(346,092)	--	(346,092)
Instruction staff	298,984	--	--	--	(298,984)	--	(298,984)
District administrative	514,322	--	--	--	(514,322)	--	(514,322)
School administrative	607,412	--	--	--	(607,412)	--	(607,412)
Business	418,251	--	--	--	(418,251)	--	(418,251)
Plant operation and maintenance	833,549	--	--	--	(833,549)	--	(833,549)
Student transportation	281,144	--	--	--	(281,144)	--	(281,144)
Facilities acquisition and construction	--	--	--	177,732	177,732	--	177,732
Community service activities	91,105	--	--	--	(91,105)	--	(91,105)
Interest on long-term debt	319,229	--	142,572	--	(176,657)	--	(176,557)
Total governmental activities	<u>9,084,731</u>	<u>2,480</u>	<u>743,868</u>	<u>177,732</u>	<u>(8,160,651)</u>	<u>--</u>	<u>(8,160,651)</u>
Business-type activities:							
Food service	<u>623,728</u>	<u>29,727</u>	<u>484,166</u>	<u>--</u>	<u>--</u>	<u>(109,835)</u>	<u>(109,835)</u>
Total business-type activities	<u>623,728</u>	<u>29,727</u>	<u>484,166</u>	<u>--</u>	<u>--</u>	<u>(109,835)</u>	<u>(109,835)</u>
Total primary government	<u>\$ 9,708,459</u>	<u>\$ 32,207</u>	<u>\$ 1,228,034</u>	<u>\$ 177,732</u>	<u>(8,160,651)</u>	<u>(109,835)</u>	<u>(8,270,486)</u>
General revenues:							
Taxes:							
Property taxes					\$ 1,579,059	\$ --	\$ 1,579,059
Motor vehicle taxes					175,488	--	175,488
Utility taxes					362,751	--	362,751
Other taxes					79,401	--	79,401
Investment earnings					13,273	--	13,273
State and formula grants					3,204,736	4,144	3,208,880
On-behalf payments					2,307,949	35,292	2,343,241
Miscellaneous					<u>159,603</u>	<u>--</u>	<u>159,603</u>
Change in net position					(278,391)	(70,399)	(348,790)
Net position – beginning, as previously reported					863,950	(174,870)	689,080
Prior period adjustment (see Note T)					<u>(4,396,283)</u>	<u>--</u>	<u>(4,396,283)</u>
Net position (deficit) - beginning, as restated					<u>(3,532,333)</u>	<u>(174,870)</u>	<u>(3,707,203)</u>
Net position (deficit) - ending					<u>\$ (3,810,724)</u>	<u>\$ (245,269)</u>	<u>\$ (4,055,993)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Balance Sheet - Governmental Funds

June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 268,893	\$ (38,088)	\$ 123,599	\$ 2,626	\$ 357,030
Accounts receivable	<u>91,114</u>	<u>108,095</u>	<u>- -</u>	<u>- -</u>	<u>199,209</u>
Total assets	<u>\$ 360,007</u>	<u>\$ 70,007</u>	<u>\$ 123,599</u>	<u>\$ 2,626</u>	<u>\$ 556,239</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 30,222	\$ 33,260	\$ - -	\$ - -	\$ 63,482
Accrued sick leave payable	36,584	- -	- -	- -	36,584
Unavailable revenue	<u>- -</u>	<u>36,747</u>	<u>- -</u>	<u>- -</u>	<u>36,747</u>
Total liabilities	<u>66,806</u>	<u>70,007</u>	<u>- -</u>	<u>- -</u>	<u>136,813</u>
Fund balances:					
Restricted - future construction	- -	- -	123,599	2,626	126,225
Unassigned	<u>293,201</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>293,201</u>
Total fund balances	<u>293,201</u>	<u>- -</u>	<u>123,599</u>	<u>2,626</u>	<u>419,426</u>
Total liabilities and fund balances	<u>\$ 360,007</u>	<u>\$ 70,007</u>	<u>\$ 123,599</u>	<u>\$ 2,626</u>	<u>\$ 556,239</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Revenues, Expenditures & Changes in Fund Balances Governmental Funds

For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property	\$ 1,455,800	\$ --	\$ --	\$ 123,259	\$ 1,579,059
Motor vehicle	175,488	--	--	--	175,488
Utilities	362,751	--	--	--	362,751
Other	61,821	--	--	--	61,821
Penalties and interest on					
taxes	17,580	--	--	--	17,580
Tuition and fees	2,480	--	--	--	2,480
Earnings on investments	13,273	--	--	--	13,273
Other local revenues	111,502	50,581	--	--	162,083
Intergovernmental - state	4,655,900	398,527	--	635,990	5,690,417
Intergovernmental - indirect					
federal	<u>9,957</u>	<u>591,339</u>	<u>--</u>	<u>--</u>	<u>601,296</u>
Total revenues	<u>6,866,552</u>	<u>1,040,447</u>	<u>--</u>	<u>759,249</u>	<u>8,666,248</u>
Expenditures					
Instruction	3,893,791	822,676	--	--	4,716,467
Support services:					
Student	243,143	71,489	--	--	314,632
Instructional staff	197,024	72,272	--	--	269,296
District administration	497,467	1,546	--	--	499,013
School administration	571,274	--	--	--	571,274
Business	398,762	--	--	--	398,762
Plant operations and					
maintenance	797,234	--	--	--	797,234
Student transportation	218,771	11,201	--	--	229,972
Community service	15,422	74,123	--	--	89,545
Facilities acquisition and					
construction	--	--	779,928	--	779,928
Debt service:					
Principal	61,954	--	--	408,286	470,240
Interest	<u>49,911</u>	<u>--</u>	<u>--</u>	<u>269,318</u>	<u>319,229</u>
Total expenditures	<u>6,944,753</u>	<u>1,053,307</u>	<u>779,928</u>	<u>677,604</u>	<u>9,455,592</u>
Excess (deficit) of revenues over					
expenditures (carry forward)	<u>\$ (78,201)</u>	<u>\$ (12,860)</u>	<u>\$ (779,928)</u>	<u>\$ 81,645</u>	<u>\$ (789,344)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds, continued**

For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures (brought forward)	\$ (78,201)	\$ (12,860)	\$ (779,928)	\$ 81,645	\$ (789,344)
Other financing sources (uses):					
Operating transfers in	81,645	37,871	- -	219,346	338,862
Operating transfers out	<u>(12,860)</u>	<u>(25,011)</u>	<u>- -</u>	<u>(300,991)</u>	<u>(338,862)</u>
Total other financing sources (uses)	<u>68,785</u>	<u>12,860</u>	<u>- -</u>	<u>(81,645)</u>	<u>- -</u>
Net change in fund balances	(9,416)	- -	(779,928)	- -	(789,344)
Fund balances June 30, 2017	<u>302,617</u>	<u>- -</u>	<u>903,527</u>	<u>2,626</u>	<u>1,208,770</u>
Fund balances June 30, 2018	<u>\$ 293,201</u>	<u>\$ - -</u>	<u>\$ 123,599</u>	<u>\$ 2,626</u>	<u>\$ 419,426</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

**Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position**

June 30, 2018

Total fund balances per fund financial statements	\$ 419,426
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	10,468,147
Deferred outflows and inflows used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Outflows related to pension and OPEB	952,036
Inflows related to pension and OPEB	(403,873)
Certain liabilities (such as debt obligations, the long-term portion of accrued sick leave, net pension and net OPEB) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position	<u>(15,246,460)</u>
Net position for governmental activities	<u>\$ (3,810,724)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities**

For the Year Ended June 30, 2018

Net change in total fund balances per fund financial statements	\$ (789,344)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	349,478
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	470,240
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(308,765)</u>
Change in net position of governmental activities	<u>\$ (278,391)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Net Position - Proprietary Funds

June 30, 2018

	<u>Food Service Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 49,756
Inventory	<u>5,921</u>
Total current assets	<u>55,677</u>
Noncurrent assets:	
Capital assets	98,839
Less: accumulated depreciation	<u>(80,316)</u>
Total noncurrent assets	<u>18,523</u>
Total assets	<u>74,200</u>
Deferred Outflow of Resources	
Pension contributions - current year	33,426
Difference between expected and actual experience	510
Net difference between projected and actual investments earnings on pension plan investments	26,942
Change of assumptions	72,257
Changes in proportion and differences between district contributions and proportionate share of contributions	<u>11,798</u>
Total deferred outflow of resources	<u>144,933</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>290</u>
Total current liabilities	<u>290</u>
Noncurrent liabilities:	
Net pension liability	<u>397,821</u>
Total noncurrent liabilities	<u>397,821</u>
Total liabilities	<u>398,111</u>
Deferred Inflow of Resources	
Difference between expected and actual experience	9,895
Net difference between projected and actual investment earnings on pension plan investments	26,050
Changes in proportion and differences between district earnings on pension plan investments	<u>30,346</u>
Total deferred inflow of resources	<u>66,291</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Net Position - Proprietary Funds, continued

June 30, 2018

	Food Service <u>Fund</u>
Net Position (Deficit)	
Net investment in capital assets	\$ 18,523
Restricted for:	
Inventory	5,921
Unrestricted	<u>(269,713)</u>
Total net position (deficit)	<u>\$ (245,269)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenses,
and Changes in Fund Net Position - Proprietary Funds**

For the Year Ended June 30, 2018

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	\$ 29,468
Other	<u>259</u>
Total operating revenues	<u>29,727</u>
Operating expenses:	
Salaries and wages	288,778
Materials and supplies	329,387
Depreciation expense	3,585
Other operating expenses	<u>1,978</u>
Total operating expenses	<u>623,728</u>
Operating income (loss)	<u>(594,001)</u>
Non-operating revenues (expenses)	
Federal grants	429,431
Donated commodities	54,735
Other state funding	<u>39,436</u>
Non-operating revenues (expenses)	<u>523,602</u>
Change in net position	(70,399)
Net position (deficit) June 30, 2017	<u>(174,870)</u>
Net position (deficit) June 30, 2018	<u>\$ (245,269)</u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2018

	<u>Food Service Fund</u>
Cash flows used by operating activities:	
Cash received from lunchroom sales	\$ 29,468
Cash received from other activities	259
Cash payments to employees for services	(247,189)
Cash payments to suppliers for good and services	(269,599)
Cash payments for other operating activities	<u>(1,978)</u>
Net cash used by operating activities	<u>(489,039)</u>
Cash flows from noncapital financing activities:	
Cash received from government grants	<u>468,867</u>
Net cash provided by noncapital financing activities	<u>468,867</u>
Increase/decrease in cash and cash equivalents	(20,172)
Cash and cash equivalents, June 30, 2017	<u>69,928</u>
Cash and cash equivalents, June 30, 2018	<u><u>\$ 49,756</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (594,001)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Donated commodities included in operating expenses	54,735
Depreciation expense	3,585
Changes in assets, liabilities and deferred inflows/outflows:	
Decrease in inventories	5,053
Increase in deferred outflows	(36,081)
Increase in accounts payable	7
Increase in accounts payable	11,372
Increase in pension liability	<u>66,291</u>
Net cash used by operating activities	<u><u>\$ (489,039)</u></u>
Schedule of non-cash transactions:	
Donated commodities	<u><u>\$ 54,735</u></u>

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Fiduciary Net Position

June 30, 2018

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 153,244	\$ 47,601
Total assets	<u>153,244</u>	<u>47,601</u>
Liabilities		
Due to student groups	<u>- -</u>	<u>47,601</u>
Total liabilities	<u>- -</u>	<u>\$ 47,601</u>
Net Position		
Held in trust for scholarships	<u>\$ 153,244</u>	

The notes to the basic financial statements are an integral part of this statement.

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2018

	<u>Private Purpose Trust Funds</u>
Additions:	
Earnings on investments	\$ 1,550
Deductions:	
Scholarships	<u>1,500</u>
Change in net position	50
Net position June 30, 2017	<u>153,194</u>
Net position June 30, 2018	<u>\$ 153,244</u>

The notes to the basic financial statements are an integral part of this statement.

Notes to the Basic Financial Statements

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies

Reporting Entity

The Paris Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Paris Independent School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Paris Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Paris Independent Board of Education Finance Corporation

In a prior year the Board of Education resolved to authorize the establishment of the Paris Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180)(the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

(B) Special Revenue Funds

1. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
2. The District Activity Fund is used to account for funds to support co-curricular and extra-curricular activities not raised or expended by student groups.

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund for the current year.

(D) Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unavailable Revenue - Unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unavailable revenue.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unavailable revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Tax Revenues

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Property taxes collected are recorded as revenues in the fund for which they were levied. The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of real property upon which the levy for the 2018 fiscal year was based totaled \$182,817,905; tangible property assessments were \$23,513,892. Additionally, PSC real property assessed value was \$3,210,780 and PSC tangible assessed value \$6,931,858.

The tax rates assessed for the year ended June 30, 2018 to finance general fund operations were \$.744 per \$100 valuation on real estate and \$.744 per \$100 valuation on tangible property. Taxes are due on October 1 and become delinquent by January 1 following the October 1 levy date.

The District levies a utility gross receipts license tax at 3% of gross receipts derived from franchise rights within the District boundaries of communication services, cablevision services, electric power distribution, water, and gas.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The District also receives commodities from U.S.D.A. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values where practical.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio- visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "inter-fund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

The Board does not budget for on-behalf payments, which are reported with the General Fund and the Food Service Fund in the fund financial statements and the budgetary comparison supplementary information.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Position

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components – *net investment in capital assets*; *restricted* (distinguishing between major categories of restrictions); and *unrestricted*. The calculation of *net investment in capital assets* is similar to the prior calculation of investment in capital assets, net of related debt; however, with the implementation of GASB Statement No. 63, the deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note A - Summary of Significant Accounting Policies, continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than OPEBs ("OPEB")

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows and Deferred Inflows

Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If the amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note B - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note C - Cash and Cash Equivalents

At year-end, the carrying amount of the District's total cash and cash equivalents, including the activity funds, was \$607,631. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Note D - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Land	\$ 351,553	\$ --	\$ --	\$ 351,553
Buildings and improvements	17,381,522	775,928	--	18,157,450
Technology equipment	895,540	--	--	895,540
Vehicles	523,756	--	--	523,756
General equipment	<u>295,108</u>	<u>--</u>	<u>--</u>	<u>295,108</u>
Totals at historical cost	<u>19,447,479</u>	<u>775,928</u>	<u>--</u>	<u>20,223,407</u>
<u>Governmental Activities</u>				
Less: accumulated depreciation				
Buildings and improvements	8,071,632	380,909	--	8,452,541
Technology equipment	678,301	225	--	678,526
Vehicles	383,475	34,426	--	417,901
General equipment	<u>195,402</u>	<u>10,890</u>	<u>--</u>	<u>206,292</u>
Total accumulated depreciation	<u>9,328,810</u>	<u>426,450</u>	<u>--</u>	<u>9,755,260</u>
Governmental activities capital assets - net	<u>\$ 10,118,669</u>	<u>\$ 349,478</u>	<u>\$ --</u>	<u>\$ 10,468,147</u>

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note D - Capital Assets, continued

Business – Type Activities

Machinery and equipment	\$ 98,839	\$ --	\$ --	\$ 98,839
Totals at historical cost	<u>98,839</u>	<u>--</u>	<u>--</u>	<u>98,839</u>
Less: accumulated depreciation				
Machinery and equipment	<u>76,731</u>	<u>3,585</u>	<u>--</u>	<u>80,316</u>
Total accumulated depreciation	<u>76,731</u>	<u>3,585</u>	<u>--</u>	<u>80,316</u>
Business type activities capital assets - net	\$ <u>22,108</u>	\$ <u>(3,585)</u>	\$ <u>--</u>	\$ <u>18,523</u>

Note E - Capital Lease Payable

The following is an analysis of the lease property under capital lease:

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Principal Amount</u>	<u>Principal Balance 6/30/17</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Principal Balance 6/30/18</u>	<u>Due Within One Year</u>
2009 KISTA Bond	6/1/2020	2.85% - 3.75%	\$ 158,476	\$ 29,638	\$ --	\$ 14,556	\$ 15,082	\$ 14,556
2012 KISTA Bond	10/1/2027	4.00% - 4.50%	82,368	40,297	--	8,262	32,035	8,262
2013 KISTA Bond	5/1/2033	0.65% - 3.00%	41,172	24,172	--	4,060	20,112	4,060
2014 KISTA Bond	5/1/2024	2.00% - 3.00%	<u>92,003</u>	<u>63,168</u>	<u>--</u>	<u>8,885</u>	<u>54,283</u>	<u>8,885</u>
			<u>\$ 374,019</u>	<u>\$ 157,275</u>	<u>\$ --</u>	<u>\$ 35,763</u>	<u>\$ 121,512</u>	<u>\$ 35,763</u>

Fiscal Year Ending June 30,

<u>District</u>		<u>Total</u>
<u>Principal</u>	<u>Interest</u>	
2019	\$ 36,750	\$ 39,781
2020	22,100	24,109
2021	21,136	22,682
2022	20,904	21,979
2023	12,039	12,600
Thereafter	<u>8,583</u>	<u>8,840</u>
	<u>\$ 121,512</u>	<u>\$ 129,991</u>

Total minimum lease payments	\$ 129,991
Less: amount representing interest	<u>8,479</u>
Present value of net minimum lease payments	<u>\$ 121,512</u>

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note F- Bonded Debt

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the Paris Independent School District Finance Corporation.

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at June 30, 2018</u>	<u>Maturity Date</u>
Series of September 1, 1998	\$ 1,475,000	4.00% - 4.20%	\$ 64,300	3/1/2019
Series of October 1, 2007	880,000	3.40% - 4.00%	- -	10/1/2027
Series of September 1, 2010	625,000	1.20% - 3.80%	445,000	9/1/2030
Series of April 1, 2012	3,260,000	4.60%	3,260,000	4/12/2032
Series of June 1, 2016	1,340,000	2.00%	1,155,000	10/1/2027
Series of June 1, 2016	3,520,000	1.15% - 3.00%	3,360,000	6/1/2036
Series of July 1, 2016	2,790,000	1.50% - 3.00%	2,680,000	8/1/2036
	<u>\$ 13,890,000</u>		<u>\$ 10,964,300</u>	

Long-term liability activity for the year ended June 30, 2018 was as follows:

<u>Year</u>	<u>Paris Independent School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 129,392	\$ 156,109	\$ 305,518	\$ 152,740	\$ 743,759
2020	125,368	164,382	269,022	133,819	692,591
2021	126,948	161,629	263,052	128,882	680,511
2022	143,614	153,224	261,386	130,112	688,336
2023	155,211	148,163	264,789	126,960	695,123
2024	156,951	152,484	278,049	114,022	701,506
2025	179,344	143,609	225,656	114,269	662,878
2026	179,565	147,136	235,435	102,057	664,193
2027	190,345	141,131	189,655	99,016	620,147
2028	209,525	133,020	175,475	98,393	616,413
2029	228,084	127,334	131,916	95,451	582,785
2030	245,991	119,433	134,009	94,573	594,006
2031	258,731	111,806	131,269	92,391	594,197
2032	266,293	101,746	3,358,707	82,788	3,809,534
2033	348,667	45,867	101,333	24,384	520,251
2034	370,774	36,126	104,226	11,224	522,350
2035	392,599	25,700	107,401	8,050	533,750
2036	414,328	13,896	110,672	4,779	543,675
2037	91,050	1,368	103,950	3,141	199,509
	<u>\$ 4,212,780</u>	<u>\$ 2,084,163</u>	<u>\$ 6,751,520</u>	<u>\$ 1,617,051</u>	<u>\$ 14,665,514</u>

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note F - Bonded Debt, continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable	\$ 11,398,777	\$ - -	\$ 434,477	\$ 10,964,300	\$ 434,910

Note G - Interest Expense

For the year ended June 30, 2018, cash expenditures for interest were \$319,229. Expenditures consist of bond issue and capital lease interest of \$176,657 paid by the District and bond issue interest of \$142,572 paid by Kentucky School Facilities Construction Commission.

Note H - Retirement Plans

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Employers contributed 17.06% of each employee's creditable compensation and the required contributions by the employee are based on the tier:

Required Contribution

Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description - Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 2,629,364
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>25,401,286</u>
	<u>\$ 28,030,650</u>

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was 0.044921%.

For the year ended June 30, 2018, the District recognized pension expense of \$444,162 related to CERS and \$1,808,182 related to KTRS. The District also recognized revenue of \$1,808,182 for KTRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 3,261	\$ 66,745
Changes of assumptions	485,189	- -
Net difference between projected and actual earnings on pension plan investments	208,242	175,720
Changes in proportion and differences between district contributions and proportionate share of contributions	98,867	204,699
District contributions subsequent to the measurement date	<u>210,124</u>	<u>- -</u>
Total	<u>\$ 1,005,683</u>	<u>\$ 447,164</u>

The \$210,124 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 189,707
2020	145,186
2021	47,265
2022	(33,763)

Actuarial assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	2.00%	3.50 - 7.30%
Investment rate of return, net of investment expense & inflation	6.25%	7.50%

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined equity	50.0%	5.40%
Combined fixed income	17.0%	1.50%
Real return (diversified inflation strategies)	8.0%	3.50%
Real estate	5.0%	4.50%
Absolute return (diversified hedge funds)	10.0%	4.25%

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private equity	8.0%	8.50%
Cash	<u>2.0%</u>	(0.25)%
Total	<u>100.0%</u>	

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. equity	42.0%	4.4%
International equity	20.0%	5.3%
Fixed income	16.0%	1.5%
Additional categories*	9.0%	3.6%
Real estate	5.0%	4.4%
Private equity	6.0%	6.7%
Cash	<u>2.0%</u>	0.8%
Total	<u>100.0%</u>	

*Includes Hedge Funds, High Yield and Non-U.S. Developed Funds

Discount rate - For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note H - Retirement Plans, continued

For KTRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, and the additional amounts appropriated for fiscal year 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2037 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2037. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 3,316,197	\$ 2,629,364	\$ 2,054,834
KTRS	3.49%	4.49%	5.49%
District's proportionate share of net pension liability	--	--	--

Changes of assumptions - Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total CERS pension liability have been updated, however there were no changes regarding the assumptions for CERS.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs (“OPEB”)

General Information about the OPEB Plan

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description - In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided - To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions - In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs (“OPEB”), continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District reported a liability of \$1,761,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District’s proportion was 0.049 percent, which was in decrease of .004 from its proportion measured as of June 30, 2016 (0.053 percent).

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$ 1,761,000
Commonwealth’s proportionate share of the net OPEB liability associated with the District	<u>1,439,000</u>
Total	<u>\$ 3,200,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$121,650 and revenue of \$94,000 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 91,286	\$ - -
Net difference between projected and actual earnings on pension plan investments	<u>- -</u>	<u>23,000</u>
Total	<u>\$ 91,286</u>	<u>\$ 23,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$91,286 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs ("OPEB"), continued

Year Ended June 30:

2019	\$ (5,750)
2020	(5,750)
2021	(5,750)
2022	(5,750)

Actuarial assumptions - The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates:	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs ("OPEB"), continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global equity	60.0%	5.1%
Fixed income	9.0%	1.2%
Real estate	4.5%	4.0%
Private equity	5.5%	6.6%
High yield	10.0%	4.3%
Other additional categories*	10.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	0.5%
Total	<u>100.0%</u>	

*Modeled as 50% high yield and 50% bank loans

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of net OPEB liability	\$ 2,050,664	\$ 1,761,000	\$ 1,519,877

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs ("OPEB"), continued

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 1,474,806	\$ 1,761,000	\$ 2,114,343

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description - Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2018, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ - -
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>19,000</u>
Total	<u>\$ 19,000</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$846 and revenue of \$846 for support provided by the State.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs (“OPEB”), continued

Actuarial assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal Bond Index Rate	3.56%
Discount rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note I - Postemployment Benefits Other Than OPEBs (“OPEB”), continued

<u>Asset Class*</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. large cap equity	38.4%	4.3%
U.S. small cap equity	2.6%	4.8%
Developed international equity	15.8%	5.2%
Emerging markets equity	4.2%	5.4%
Fixed income – inv. grade	16.0%	1.2%
Real estate	6.0%	4.0%
Private equity	7.0%	6.6%
High yield	2.0%	4.3%
Other additional categories**	7.0%	3.3%
Cash (LIBOR)	<u>1.0%</u>	0.5%
Total	<u>100.0%</u>	

*As the LIF investment policy is to change, the above reflects the pension allocation and requires that achieve the target 7.5% long-term rate of return.

**Modeled as 50% high yield and 50% bank loans

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District’s proportionate share of net OPEB liability	\$ --	\$ --	\$ --

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note J - Contingencies

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Note K - Litigation

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

Note L - Insurance and Related Activities

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated and does include Workers' Compensation insurance.

Note M - Risk Management

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District purchases commercial insurance from Liberty Mutual Insurance and KEMI.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note N - Deficit Operating Balances

As a result of GASB 68, the net position of the Food Service Fund reflects a deficit balance.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note O - Cobra

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

Note P - Transfer of Funds

The following transfers were made during the year:

<u>From fund</u>	<u>To fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special	Technology match	\$ 12,860
Building	Debt service	Debt payments	219,346
Building	General	Operations	20,406
Capital outlay	General	Operations	61,239

Note Q - KSBIT Assessment

The Kentucky School Boards Insurance Trust (KSBIT) was created in 1978 to provide coverage through nonprofit self-insured pools authorized under Kentucky law. In a memo to members on January 14, 2013, KSBIT informed its members that despite years of work to eliminate deficits in these pools, that their most recent financial statements indicated a significant increase in the deficits of the pools, which under law require corrective action. Subsequent to the 2014 year end, the Franklin Circuit Court issued an order instructing the former members to pay their required share of the assessment. Based on the Court's assessment plan, the Paris Independent Board of Education was assessed \$61,265 for liability and \$158,775 for workers' compensation, totaling \$220,040. This assessed total was included in the 2014 government-wide financial statements for the District. The District has elected to pay the liability in an installment plan at zero percent interest over a seven year period.

Aggregate payments required on the KSBIT liability for the next three years are as follows:

2019	\$ 19,847
2020	19,847
2021	19,847
	<u>\$ 59,541</u>

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note R - On-Behalf Payments

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2018:

Contributions to Kentucky Teachers' Retirement System	\$ 972,472
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	830,399
Technology	46,821
Debt service	<u>458,258</u>
	<u>\$ 2,307,950</u>

The District includes on-behalf payments in their budgets. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

General fund	\$ 1,814,400
Food services fund	35,292
Debt service fund	<u>458,258</u>
	<u>\$ 2,307,950</u>

Note S - New Accounting Pronouncements

During the current fiscal year, the Paris Independent Board of Education implemented the following GASB statement.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to address accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Statement No. 75 is effective for the 2018 fiscal year.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Basic Financial Statements, continued

Year Ended June 30, 2018

Note T - Change to Accounting Principle and Prior Period Adjustment

Effective July 1, 2017, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other* (GASB 75). GASB 75 replaced the requirements of GASB 45, *Accounting and Financial Reporting, by Employers for Postemployment Benefits Other Than Pensions*, as amended and GASB 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB 75 requires governments providing OPEB benefits to recognize their long-term obligation for OPEB benefits as a liability to more comprehensively and comparably measure the annual costs of OPEB benefits. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application. Since the District only presents one year of financial information, the beginning net OPEB was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,659,364 reduction in beginning net position on the Statement of Activities.

During 2018, accounting errors resulting in misstatements of previously reported amounts for accounts receivable were discovered. Accordingly, adjustments amounting to a \$2,736,919 decrease in accounts receivable were made to correct those errors.

Note U - Subsequent Events

Subsequent events have been evaluated through November 13, 2018 which is the date the financial statements were available to be issued.

Required Supplementary Information

**Budgetary Comparison,
Pension Schedules and
OPEB Schedules**

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund**

For the Year Ended June 30, 2018

	Budgeted Amounts			Final Budget Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,997,901	\$ 2,080,689	\$ 2,073,440	\$ (7,249)
Tuition and fees	2,000	2,000	2,480	480
Earnings on investments	20,000	20,000	13,273	(6,727)
Other local revenues	29,600	71,600	111,502	39,902
Intergovernmental - state	2,734,836	2,841,339	4,655,900	1,814,561
Intergovernmental - indirect federal	10,000	10,000	9,957	(43)
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>4,794,337</u>	<u>5,025,628</u>	<u>6,866,552</u>	<u>1,840,924</u>
Expenditures:				
Instruction	2,566,013	2,587,053	3,893,791	(1,306,738)
Support services:				
Student	150,251	164,278	243,143	(78,865)
Instructional staff	186,751	178,587	197,024	(18,437)
District administration	362,474	362,533	497,467	(134,934)
School administration	363,602	365,823	571,274	(205,451)
Business	302,024	331,249	398,762	(67,513)
Plant operations and maintenance	596,106	587,246	797,234	(209,988)
Student transportation	210,266	187,655	218,771	(31,116)
Central office	--	--	--	--
Food service	--	--	--	--
Community service	10,010	10,000	15,422	(5,422)
Facilities acquisition and construction	--	--	--	--
Debt service	111,641	111,641	111,865	(224)
Other	165,518	429,320	--	429,320
Total expenditures	<u>5,024,656</u>	<u>5,315,385</u>	<u>6,944,753</u>	<u>(1,629,368)</u>
Excess (deficit) of revenues over expenditures	<u>(230,319)</u>	<u>(289,757)</u>	<u>(78,201)</u>	<u>211,556</u>
Other financing sources (uses):				
Proceeds from the sale of assets	--	--	--	--
Operating transfers in	--	81,645	81,645	--
Other	--	--	--	--
Operating transfers out	(12,575)	(12,860)	(12,860)	--
Total other financing sources (uses)	<u>(12,575)</u>	<u>68,785</u>	<u>68,785</u>	<u>--</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	(242,894)	(220,972)	(9,416)	<u>\$ 211,556</u>
Fund balance June 30, 2017	<u>302,617</u>	<u>302,617</u>	<u>302,617</u>	
Fund balance June 30, 2018	<u>\$ 59,723</u>	<u>\$ 81,645</u>	<u>\$ 293,201</u>	

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Special Revenue Fund

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition and fees	\$ --	\$ --	\$ --	\$ --
Earnings on investments	--	--	--	--
Other local revenues	--	53,779	50,581	(3,196)
Intergovernmental - state	364,285	370,019	398,527	28,508
Intergovernmental - indirect federal	572,486	594,984	591,339	(3,645)
Intergovernmental - direct federal	--	--	--	--
Total revenues	<u>936,771</u>	<u>1,018,782</u>	<u>1,040,447</u>	<u>21,665</u>
Expenditures:				
Instruction	695,931	773,657	822,676	(49,019)
Support services:				
Student	70,401	71,502	71,489	13
Instructional staff	102,372	107,465	72,272	35193
District administration	6,700	1,546	1,546	--
School administration	--	--	--	--
Business	--	--	--	--
Plant operation and maintenance	--	--	--	--
Student transportation	18,340	--	11,201	(11201)
Community service	78,027	77,472	74,123	3349
Other	--	--	--	--
Total expenditures	<u>971,771</u>	<u>1,031,642</u>	<u>1,053,307</u>	<u>(21,665)</u>
Excess (deficit) of revenues over expenditures	<u>(35,000)</u>	<u>(12,860)</u>	<u>(12,860)</u>	<u>--</u>
Other financing sources (uses):				
Operating transfers in	35,000	37,871	37,871	--
Operating transfers out	--	(25,011)	(25,011)	--
Total other financing sources (uses)	<u>35,000</u>	<u>12,860</u>	<u>12,860</u>	<u>--</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>\$ --</u>
Fund balance June 30, 2017	<u>--</u>	<u>--</u>	<u>--</u>	
Fund balance June 30, 2018	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	

PARIS INDEPENDENT BOARD OF EDUCATION

**Schedule of the District's Proportionate Share of the
Net Pension Liability**

County Employees' Retirement System

For the Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.044921%	0.051845%	0.045647%	0.045323%
District's proportionate share of the net pension liability (asset)	\$ 2,629,364	\$ 2,552,653	\$ 1,962,625	\$ 1,470,000
District's covered-employee payroll	1,095,537	1,107,002	1,126,529	1,065,018
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	240.00%	230.59%	174.22%	138.03%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of the District's Contributions

County Employees' Retirement System

For the Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 210,124	\$ 204,308	\$ 192,194	\$ 188,189
Contributions in relation to the contractually required contribution	<u>(210,124)</u>	<u>(204,308)</u>	<u>(192,194)</u>	<u>(188,189)</u>
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
District's covered-employee payroll	\$ 1,095,537	\$ 1,107,002	\$1,126,529	\$ 1,065,018
Contributions as a percentage of covered-employee payroll	19.18%	18.46%	17.06%	17.67%

PARIS INDEPENDENT BOARD OF EDUCATION

**Schedule of the District's Proportionate Share of the
Net Pension Liability**

Kentucky Teachers' Retirement System

For the Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability (asset)	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	<u>25,401,286</u>	<u>29,966,800</u>	<u>22,698,550</u>	<u>20,561,406</u>
Total	<u>\$ 25,401,286</u>	<u>\$ 29,966,800</u>	<u>\$ 22,698,550</u>	<u>\$ 20,561,406</u>
District's covered-employee payroll	\$ 3,292,379	\$ 3,109,401	\$ 3,240,354	\$ 3,054,686
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	39.83%	35.22%	42.49%	45.59%

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of the District's Contributions

Kentucky Teachers' Retirement System

For the Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 40,140	\$ 47,457	\$ 36,602	\$ 35,807
Contributions in relation to the contractually required contribution	<u>(40,140)</u>	<u>(47,457)</u>	<u>(36,602)</u>	<u>(35,807)</u>
Contribution deficiency (excess)	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>
District's covered-employee payroll	\$ 3,292,379	\$ 3,109,401	\$ 3,240,354	\$ 3,054,686
Contributions as a percentage of covered-employee payroll	0%	0%	0%	0%

PARIS INDEPENDENT BOARD OF EDUCATION

**Schedule of the District's Proportionate Share of the
Net OPEB Liability - Medical Insurance Plan**

Teachers' Retirement System Kentucky

For the Year Ended June 30, 2018

District's proportion of the collective net OPEB liability (asset)	.049%
District's proportionate share of the collective net OPEB liability (asset)	\$ 1,761,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>1,439,000</u>
Total	<u>\$ 3,200,000</u>
District's covered-employee payroll	\$ 3,292,379
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	53.49%
Plan fiduciary net position as a percentage of the total OPEB liability	21.2%

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of the District's Contributions - Medical Insurance Plan

Teacher's Retirement System Kentucky

For the Year Ended June 30, 2018

Contractually required contribution	\$ 91,286
Contributions in relation to the contractually required contribution	<u>(91,286)</u>
Contribution deficiency (excess)	<u>\$ - -</u>
District's covered-employee payroll	\$ 3,292,379
Contributions as a percentage of covered-employee payroll	2.78%

PARIS INDEPENDENT BOARD OF EDUCATION

**Schedule of the District's Proportionate Share of the
Net OPEB Liability - Life Insurance Plan**

Teachers' Retirement System Kentucky

For the Year Ended June 30, 2018

District's proportion of the collective net OPEB liability (asset)	0.000%
District's proportionate share of the collective net OPEB liability (asset)	\$ - -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>19,000</u>
Total	<u>\$ 19,000</u>
District's covered-employee payroll	3,292,379
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	80%

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of the District's Contributions – Life Insurance Plan

Teacher's Retirement System Kentucky

For the Year Ended June 30, 2018

Contractually required contribution	\$ - -
Contributions in relation to the contractually required contribution	<u>- -</u>
Contribution deficiency (excess)	<u>\$ - -</u>
District's covered-employee payroll	\$ 3,292,379
Contributions as a percentage of covered-employee payroll	0.000%

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to Required Supplementary Information

For the Year Ended June 30, 2018

Note A - Pension Schedules

CERS

Changes to Benefit Terms: There were no changes in benefit terms.

Changes of Assumptions: The following changes in assumptions were made:

- The assumed rate of inflation was changed to 2.30%
- The assumed investment rate of return was changed to 6.25%
- Payroll growth assumption was changed to 3.05%

KTRS

Changes to Benefit Terms: There were no changes in benefit terms.

Changes of Assumptions: The following changes in assumptions were made:

In the 2016 valuation, rates of withdrawal, retirement disability and mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection sale AA, which was used prior to 2016.

Note B - OPEB Schedules

Medical Insurance Plan

Changes to Benefit Terms: The following changes in benefits were made:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions: There were no changes in assumptions.

Life Insurance Plan

Changes to Benefit Terms: There were no changes in benefit terms.

Changes of Assumptions: There were no changes in assumptions.

Supplementary Information
Combining Statements - Nonmajor Funds

PARIS INDEPENDENT BOARD OF EDUCATION

Combining Balance Sheets - Nonmajor Governmental Funds

June 30, 2018

	District Activity Fund	FSPK Fund	Debt Service Fund	SEEK Capital Outlay Fund	Total Nonmajor Governmental Funds
Assets and Resources					
Cash and cash equivalents	\$ 2,626	\$ - -	\$ - -	\$ - -	\$ 2,626
Total assets and resources	<u>\$ 2,626</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ 2,626</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -
Unavailable revenue	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total liabilities	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Fund balances:					
Committed - other	- -	- -	- -	- -	- -
Committed - future construction	- -	- -	- -	- -	- -
Restricted	2,626	- -	- -	- -	2,626
Unassigned	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total fund balances	<u>2,626</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>	<u>- -</u>
Total liabilities and fund balances	<u>\$ 2,626</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ - -</u>	<u>\$ 2,626</u>

PARIS INDEPENDENT BOARD OF EDUCATION

**Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds**

For the Year Ended June 30, 2018

	District Activity <u>Fund</u>	FSPK Fund	Debt Service <u>Fund</u>	SEEK Capital Outlay <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:					
From local sources:					
Taxes:					
Property	\$ --	\$ 123,259	\$ --	\$ --	\$ 123,259
Motor vehicle	--	--	--	--	--
Earnings from investments	--	--	--	--	--
Other local revenues	--	--	--	--	--
Intergovernmental - state	--	116,493	458,258	61,239	635,990
Intergovernmental - indirect federal	--	--	--	--	--
Intergovernmental - direct federal	--	--	--	--	--
Total revenues	<u>--</u>	<u>239,752</u>	<u>458,258</u>	<u>61,239</u>	<u>759,249</u>
Expenditures:					
Instruction	--	--	--	--	--
Support services:					
Instructional staff	--	--	--	--	--
Facilities acquisition and construction	--	--	--	--	--
Debt service:					
Principal	--	--	408,286	--	408,286
Interest	--	--	269,318	--	269,318
Other	--	--	--	--	--
Total expenditures	<u>--</u>	<u>--</u>	<u>677,604</u>	<u>--</u>	<u>677,604</u>
Excess (deficit) of revenues over expenditures	<u>--</u>	<u>239,752</u>	<u>(219,346)</u>	<u>61,239</u>	<u>81,645</u>
Other financing sources (uses):					
Operating transfers in	--	--	219,346	--	219,346
Operating transfers out	<u>--</u>	<u>(239,752)</u>	<u>--</u>	<u>(61,239)</u>	<u>(300,991)</u>
Total other financing sources (uses)	<u>--</u>	<u>(239,752)</u>	<u>219,346</u>	<u>(61,239)</u>	<u>(81,645)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance June 30, 2017	<u>2,626</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,626</u>
Fund balance June 30, 2018	<u>\$ 2,626</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,626</u>

**Statements of Receipts, Disbursements and Changes
in Fund Balances**

**Paris Independent High School and
Combined Middle and Elementary
Activity Funds**

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Receipts, Disbursements and Fund Balances Paris Independent High School Activity Funds

For the Year Ended June 30, 2018

<u>Accounts</u>	<u>Fund Balances June 30, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2018</u>
Baseball team	\$ 59	\$ 16,549	\$ 16,608	\$ --
Boys basketball	3,184	36,296	39,099	381
Football	1,426	24,033	25,459	--
10 th region coaches	1,937	1,582	1,494	2,025
Girls and boys track	7	940	917	30
Girls basketball	638	15,404	16,042	--
Golf	125	505	476	154
Tennis	5	1,204	891	318
Girls high school soccer	--	6,739	6,739	--
Athletic fees	19	1,922	1,868	73
Softball team	4,355	10,859	14,533	681
Boys high school soccer	--	6,906	6,810	96
Bowling	--	1,136	1,136	--
Cross country	277	--	138	139
Boys basketball (PMS)	1,200	5,578	6,778	--
Concessions	--	5,006	4,998	8
Principal account	545	6,010	6,248	307
Counselor's fund	13	273	233	53
Cary Barr sportsman scholarship	2,514	1,477	3,991	--
Library (book fair)	112	1,290	1,399	3
Summer school	609	--	481	128
Mike Chenault Memorial	877	--	877	--
Chrome book repair	1,393	1,893	119	3,167
Ann Mitchell scholarship	5,000	100	1,000	4,100
Global Gateway Award	175	1,566	591	1,150
Class of 1967	--	3,037	--	3,037
Forensic	4	--	--	4
J.K.G. fund	112	250	190	172
Fellowship of Christian Athletes	67	--	--	67
F.C.C.L.A.	191	--	40	151
Junior class	3,057	2,788	4,388	1,457
Senior class	190	9,267	9,384	73
Senior class play	132	--	132	--
Newspaper and magazine	144	--	--	144
Greyhound embroidery-Paris High	1	--	--	1
FBLA	10	--	--	10

PARIS INDEPENDENT BOARD OF EDUCATION

Statement of Receipts, Disbursements and Fund Balances Paris Independent High School Activity Funds, Continued

For the Year Ended June 30, 2018

<u>Accounts</u>	<u>Fund Balances June 30, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2018</u>
Academic team	\$ 51	\$ --	\$ --	\$ 51
Beta Club	540	162	344	358
Academy of Health and Science	--	1,171	1,134	37
School store	416	--	317	99
Academic Pride Boosters	8	--	--	8
Cheerleaders	--	7,468	7,468	--
Band	2,752	34,134	32,095	4,791
Student government	--	2,920	2,307	613
Key Club	519	1,935	1,053	1,401
Yearbook	3,558	1,045	4,600	3
STLP fund	127	--	60	67
Culinary	--	700	684	16
JKG Fund Middle	--	250	--	250
Family and Consumer Science	96	--	95	1
Arts	13	300	300	13
Softball trip	413	1,543	1,317	639
Drama	125	112	237	--
Freshman class	103	--	--	103
National Honor Society	--	761	674	87
Archery	237	800	186	851
Art trip	25	--	--	25
Renaissance team	2	2,437	2,424	15
Band trip	--	300	--	300
F.F.A.	4,453	7,895	11,983	365
Senior lock in	50	--	--	50
Cheerleader - trip	--	2,089	2,089	--
AP	--	188	170	18
Textbook/lock	298	--	162	136
Dual credit account	--	8,351	8,284	67
Football layoffs	--	2,710	2,710	--
Family resource	--	600	98	502
Project 7 Club	--	51	--	51
	<u>\$ 42,164</u>	<u>\$ 240,532</u>	<u>\$ 253,850</u>	<u>\$ 28,846</u>

PARIS INDEPENDENT BOARD OF EDUCATION

**Statement of Receipts, Disbursements and Fund Balances
Paris Independent Middle and Elementary Schools**

For the Year Ended June 30, 2018

<u>School</u>	<u>Fund Balances June 30, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balances June 30, 2018</u>
Paris Independent Elementary School	\$ 17,811	\$ 116,486	\$ 118,360	\$ 15,937
Paris Independent Middle School	<u>1,488</u>	<u>13,384</u>	<u>12,054</u>	<u>2,818</u>
Total	<u>\$ 19,299</u>	<u>\$ 129,870</u>	<u>\$ 130,414</u>	<u>\$ 18,755</u>

Schedule of Expenditures of Federal Awards

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education:</u>			
Title I, Grants to Local Educational Agencies	84.010	3100002 17	\$ 281,834
Title I, Grants to Local Educational Agencies	84.010	3100002 16	<u>36,067</u>
Total			<u>317,901</u>
 Special Education Cluster:			
Special Education - Grants to States	84.027	3810002 17	184,623
Special Education - Grants to States	84.027	3810002 16	1,086
Special Education - Grants to States	84.027	3810002 15	60
Special Education - Preschool Grants	84.173	3800002 17	12,661
Special Education - Preschool Grants	84.173	3800002 16	<u>7,001</u>
Total			<u>205,431</u>
 Rural and Low Income			
	84.358	3140002 17	11,484
 English Language Acquisition State Grants			
English Language Acquisition State Grants	84.365	3300002 17	14,128
English Language Acquisition State Grants	84.365	3300002 16	<u>12,528</u>
Total			<u>26,656</u>
 Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	3230002 17	12,623
Improving Teacher Quality State Grants	84.367	3230002 16	15,981
Improving Teacher Quality State Grants	84.367	3230002 15	<u>8,309</u>
Total			<u>36,913</u>
Total U.S. Department of Education			<u>\$ 598,385</u>
Passed through the Kentucky Department of Education			

See accompanying notes to Schedule of Expenditures of Federal Awards.

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Expenditures of Federal Awards, continued

For the Year Ended June 30, 2018

	<u>CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005 18	\$ 92,064
School Breakfast Program	10.553	7760005 17	<u>23,102</u>
Total			<u>115,166</u>
National School Lunch Program	10.555	7750002 18	238,271
National School Lunch Program	10.555	7750002 17	<u>57,980</u>
Total			<u>296,251</u>
Summer Food Service Program	10.559	7690024 17	1,697
Summer Food Service Program	10.559	7740023 17	<u>16,317</u>
Total			<u>18,014</u>
Total Child Nutrition Cluster			429,431
Food Donations	10.550	057502 15	<u>54,735</u>
Total U.S. Department of Agriculture Passed through the Kentucky Department of Education			<u>\$ 484,166</u>
Total Federal Financial Awards			<u>\$ 1,082,551</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

PARIS INDEPENDENT BOARD OF EDUCATION

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note C - Non-cash Donations

Food donations listed as CFDA# 10.565 are non-cash assistance in the form of USDA food commodities.

Schedule of Findings and Questioned Costs

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster:

10.553, 10.555, 10.559 Child Nutrition Cluster

Dollar threshold used to distinguish between type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement of Findings

No matters were reported

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

PARIS INDEPENDENT BOARD OF EDUCATION

Schedule of Prior Year Audit Findings

For the Year Ended June 30, 2018

There were no prior year audit filings.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

HENDERMAN, JESSEE & COMPANY, PLLC
Certified Public Accountants

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Kentucky State Committee for
School District Audits
Paris Independent Board of Education
Paris, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paris Independent Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the District in a separate letter dated November 13, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Heiderman Jesse & Company LLC".

Louisville, Kentucky
November 13, 2018

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Kentucky State Committee for
School District Audits
Paris Independent Board of Education
Paris, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Paris Independent Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2018. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Paris Independent Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Louisville, Kentucky
November 13, 2018

Management Letter Comments

HENDERMAN, JESSEE & COMPANY, PLLC
Certified Public Accountants

Paris Independent Board of Education
310 West 7th Street
Paris, Kentucky 40361

In planning and performing our audit of the basic financial statements of Paris Independent Board of Education (the "Board") for the year ended June 30, 2018, we considered the Board's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions regarding this matter. We will review the status of these comments during our next audit engagement and have discussed many of these comments already with District personnel. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

CENTRAL OFFICE

18-1 Capitalization of Assets

Statement of Condition: It was noted that the acquisition of the current year capital assets had not been included in the balance sheet as governmental assets.

Recommendation for Correction: The Board should consider providing additional training to an employee to develop the resources and/or experience in recording, preparing and reviewing financial statements for external reporting in accordance with current standards.

Management's Response: Staff will receive additional financial training.

ACTIVITY FUNDS

Paris Independent High School

No matters are reportable

Paris Independent Middle School

No matters are reportable

Paris Independent Elementary School

No matters are reportable

Others Matters Noted:

Follow-Up On Prior Year Recommendations

1. During the prior year audit the following conditions were noted: revenue/expenses for the new athletic facility had not been properly recorded.

Management's Response:

District school staff received additional financial training during the current fiscal year,

We have enjoyed working with the management and staff at the Paris Independent Board of Education and look forward to a continuing mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendersonman Jesse & Company PLLC".

Louisville, Kentucky

November 13, 2018